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The outbreak of Avian Influenza in Europe and anti-dumping tariffs will increase poultry meat prices in South Africa

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Report Highlights:

The recent outbreak of Avian Influenza in Europe coupled with anti-dumping duties and the recent rise in the import tariffs of broiler meat will escalate local poultry meat consumer prices in South Africa. Broiler meat is the most important protein source in the diet of the majority of South Africans, including the poor. For the past 12 months, South Africa imported almost 360 thousand tons of broiler meat with imports from Germany, the Netherlands and the United Kingdom representing 40 percent of imports. An anti-dumping duty keeps United States broiler meat out of the South African market.

Introduction

The South African per capita consumption of poultry meat (of which most is broiler meat) is estimated at 36 kg per annum. In comparison, each South African consumes only three kilograms of mutton, five kilograms of pork and 17kg of beef per annum. Broiler meat consumption increased by about 70 percent since the start of the millennium and has grown to be the most important protein source in the diet of the majority of South Africans, including the poor.

In Table 1, the trends in the retail prices of different meat sources in South Africa are shown. From the table it is clear that chicken meat is the cheapest source (in terms of R/kg) of meat in South Africa. However, in the past two years, the price of chicken meat increased in percentage terms more than that of pork, lamb or beef, as rises in the import tariffs of chicken meat, coupled with anti-dumping duties, escalate local prices. Post foresees that this trend in higher chicken meat prices will continue as the recent outbreak of Avian Influenza in Europe will limit South Africa's imports.

Table 1: The trends in the retail prices of different meat sources in South Africa

	Jul-2012	Jul-2013	Jul-2014	Change 2013 - 2014	Change 2012 - 2014
	<i>R/kg</i>	<i>R/kg</i>	<i>R/kg</i>	<i>Percentage</i>	<i>Percentage</i>
Pork chops	53.95	60.04	62.53	4.2	8.6
Lamb	91.53	96.88	91.36	-5.7	-0.2
Beef T-bone	72.07	77.95	81.32	4.3	12.8
Beef mince	57.32	60.03	63.26	5.4	10.3
Whole chicken (fresh)	30.85	33.97	37.51	10.4	21.6
Chicken portions (fresh)	41.24	44.54	46.63	4.7	13.1
Chicken portions (frozen)	22.82	24.78	26.91	8.6	17.9

Source: The National Agricultural Marketing Council (NAMC)

Avian Influenza

After an initial outbreak of Avian Influenza (AI) H5N8 was detected in a turkey flock in northeastern Germany at the beginning of November, two more detections were found on November 15 and 16 in the Netherlands and the United Kingdom. The Dutch outbreak, which occurred in a 150,000 laying hen flock in the province of Utrecht on Saturday, was identified as High Pathogenic H5N8 and is likely to be the same virus as the one detected in Germany two weeks earlier. The UK outbreak on an East Yorkshire breeding farm of 6,000 ducks was also confirmed to the same high pathogenic H5N8 serotype. On November 20 another case of AI was detected in laying hens in the Netherlands. Officials have already banned the movement of any poultry in these countries and it is foreseen that most countries in the world would ban poultry imports from the European Union until the outbreak is under control.

For the past 12 months, ending September 2014, South Africa imported 359,013 tons of broiler meat at a value of US\$334 million, marginally less than the previous 12 month period (see also Table 2). Imports from Germany, the Netherlands and the United Kingdom represented 40 percent of South African imports. Imports of broiler meat represent more than 20 percent of local consumption as South

Africa is expected to slaughter about one billion broilers (equal to 1.5 million tons of meat) in 2014.

Table 2: Value and quantity of broiler meat import by South Africa

	2011/12 (October – September)		2012/13 (October – September)		2013/14 (October – September)	
	Quantity (tons)	Value (US\$ '000)	Quantity (tons)	Value (US\$ '000)	Quantity (tons)	Value (US\$ '000)
Brazil	188,485	152,257	177,450	158,010	158,151	96,327
Netherlands	52,746	74,895	61,579	85,715	75,993	96,761
United Kingdom	22,844	29,822	34,294	48,924	42,145	56,462
Germany	17,631	21,263	23,145	32,822	25,975	34,157
Argentina	23,075	16,310	34,450	24,357	22,517	12,868
United States	6,420	9,024	5,440	6,550	3,068	2,150
Others	41,804	57,663	32,065	36,795	31,164	35,705
Total	353,005	361,234	368,423	393,173	359,013	334,430

Source: GTA

Anti-dumping tariffs

On July 4, 2014, preliminary anti-dumping duties ranging from 22 percent to 73 percent were introduced against imports of frozen bone-in chicken from three of South Africa's trading partners in the EU. The anti-dumping duties on Germany, the Netherlands and the United Kingdom, which expire at the beginning of January 2015, were introduced after the South African Poultry Association (SAPA) brought a dumping application to the International Trade Administration Commission (ITAC) against these three countries. South Africa does not impose import duties on EU members, because of a trade and co-operation agreement signed in 2001. However, it is allowed to impose anti-dumping duties where there is a *prima facie* case that the local industry is suffering material injury from dumping by EU members.

This recent introduction of anti-dumping duties against Germany, the Netherlands and the United Kingdom follows on a general increase of import duties on five poultry products in September 30, 2013 (see also Table 3). The general increase in import duties came after months of campaigning for greater protection by poultry producers in South Africa, stating that thousands of jobs are under threat due to cheap imports.

The major broiler product imported by South Africa is "bone-in" portions; representing 42 percent of total broiler meat imports. It is also for this category that South Africa, in February 2012, extended and increased the anti-dumping duties on imports from the United States for another five years. The anti-dumping duties were increased to R9.40 per kilogram, without differentiating between suppliers as in the past. Anti-dumping duties against United States poultry products were first instituted in 2000 for 5 years, reducing United States imports from more than 31,000 tons in 1999 to only 344kg in 2005. Anti-dumping tariffs, ranging from R2.24/kg to R6.96/kg, depending on the supplier, were imposed in addition to an import duty of R2.20/kg, effectively pricing United States chicken pieces out of the local market. Many times the United States has voiced significant concerns over the methodology used by the South African government to calculate the dumping margin as well other concerns regarding the lack of transparency and disclosure in South Africa's anti-dumping proceedings.

Table 3: South Africa's import tariffs for specific poultry products

Tariff Heading	Product description	Rate of duty		
		General/EFTA (Old duty)	General/EFTA (New duty)	EU/SADC
0207.12.20	Carcasses (excluding necks and offal) with all cuts removed	27%	31%	Free
0207.12.90	Frozen whole birds	27%	82%	Free
0207.14.10	Boneless cuts	5%	12%	Free
0207.14.20	Offal	27%	30%	Free
0207.14.90	Bone-in portions	(220c/kg effective 18%)	37% (United States anti-dumping duty of R9.40/kg)	Free (Germany, the Netherlands and the United Kingdom anti-dumping duty ranging from 22% to 73%)